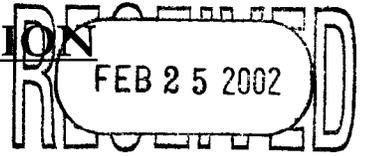


ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION



Director of Utilities

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

<div data-bbox="1333 443 1433 520" data-label="Text"><p>H</p></div>
<div data-bbox="443 522 1196 667" data-label="Text"><p>W-02448A HIGH COUNTRY PINES WATER COMPANY, INC. 1990 W. CAMELBACK RD., SUITE 100 PHOENIX, AZ 85015</p></div>

ANNUAL REPORT

FOR YEAR ENDING

12	31	2001
----	----	------

FOR COMMISSION USE

2/25/02	04
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cm

Statutory Agent: RICHARD SALLQUIST

(Name)

2525 E. AZ BILTMORE CIR #117
(Street)

PHOENIX
(City)

AZ
(State)

85016
(Zip)

(602)224-9222

Telephone No. (Include Area Code)

(602)224-9366

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Attorney: SAME

(Name)

(Street)

(City)

(State)

(Zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

OWNERSHIP INFORMATION

Check the following box that applies to your company:

Sole Proprietor (S)

C Corporation (C) (Other than Association/Co-op)

Partnership (P)

Subchapter S Corporation (Z)

Bankruptcy (B)

Association/Co op (A)

Receivership (R)

Limited Liability Company

Other (Describe) _____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

APACHE

COCHISE

COCONINO

GILA

GRAHAM

GREENLEE

LA PAZ

MARICOPA

MOHAVE

NAVAJO

PIMA

PINAL

SANTA CRUZ

YAVAPAI

YUMA

STATEWIDE

COMPANY NAME HIGH COUNTRY PINES WATER COMPANY
--

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization	5,167		5,167
302	Franchises			
303	Land and Land Rights	3,450		3,450
304	Structures and Improvements	8,184	5,598	2,586
307	Wells and Springs	34,135	24,152	9,983
311	Pumping Equipment	19,764	13,389	6,375
320	Water Treatment Equipment	4,625	694	3,931
330	Distribution Reservoirs and Standpipes	79,048	23,049	55,999
331	Transmission and Distribution Mains	543,367	153,673	389,694
333	Services	8,505	6,018	2,487
334	Meters and Meter Installations	4,246	792	3,454
335	Hydrants	19,016	7,440	11,576
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant	18,214	12,886	5,328
	TOTALS	747,721	247,691	500,030

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME HIGH COUNTRY PINES WATER COMPANY
--

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization	5,167		
302	Franchises			
303	Land and Land Rights	3,450		
304	Structures and Improvements	8,184	5%	409
307	Wells and Springs	34,135	5%	1,707
311	Pumping Equipment	19,764	5%	988
320	Water Treatment Equipment	4,625	5%	231
330	Distribution Reservoirs and Standpipes	79,048	5%	3,952
331	Transmission and Distribution Mains	543,367	5%	27,168
333	Services	8,505	5%	425
334	Meters and Meter Installations	4,246	5%	212
335	Hydrants	19,016	5%	951
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant	18,214		912
	SUBTOTAL	747,721		36,955
	CIAC AMORTIZATION			(5,622)
	TOTALS	747,721		31,333

This amount goes on Comparative Statement of Income and Expense Acct. No. 403.

 **ULLMANN
& COMPANY P.L.C.**
Certified Public Accountants

To The Board of Directors of
High Country Pines Water Company
Phoenix, Arizona

We have compiled the balance sheet of High Country Pines Water Company as of December 31, 2001 and 2000, and the related comparative statement of income and expenses for the years then ended included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation was limited to presenting in the form prescribed by the Arizona Corporation Commission information that is the representation of management. We have not audited or reviewed the financial statements referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements are presented in accordance with the requirements of the Arizona Corporation Commission, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

All other information contained in the accompanying prescribed form has not been audited, reviewed, or compiled by us and, accordingly, we assume no responsibility for that information.

Ullmann & Company

ULLMANN & COMPANY, P.L.C.
Certified Public Accountants

February 15, 2002

COMPANY NAME HIGH COUNTRY PINES WATER COMPANY
--

BALANCE SHEET

Acct. No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 886	\$ 8,191
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	607	341
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies	7,840	7,726
162	Prepayments	523	629
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 9,856	\$ 16,887
	FIXED ASSETS		
101	Utility Plant in Service	\$ 746,133	\$ 747,721
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation - Utility Plant	210,736	247,691
121	Non-Utility Property		
122	Accumulated Depreciation - Non Utility		
	TOTAL FIXED ASSETS	\$ 535,397	\$ 500,030
	TOTAL ASSETS	\$ 545,253	\$ 516,917

NOTE: The Assets on this page should be equal to Total Liabilities and Capital on the following page

COMPANY NAME
HIGH COUNTRY PINES WATER COMPANY

BALANCE SHEET (CONTINUED)

Acct. No.	LIABILITIES	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
CURRENT LIABILITES			
231	Accounts Payable	\$ 7,852	\$ 5,124
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		5,000
235	Customer Deposits	150	300
236	Accrued Taxes	873	1,092
237	Accrued Interest	2,984	8,419
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 11,859	\$ 19,935
LONG-TERM DEBT (Over 12 Months)			
224	Long-Term Notes and Bonds	\$ 55,553	\$ 54,560
DEFERRED CREDITS			
251	Unamortized Premium on Debt		
252	Advances in Aid of Construction	533,907	533,466
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	112,438	112,438
272	Less: Amortization of Contributions	39,951	45,573
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 606,394	\$ 600,331
	TOTAL LIABILITIES	\$ 673,806	\$ 674,826
CAPITAL ACCOUNTS			
201	Common Stock Issued	\$ 150,446	\$ 150,446
211	Paid in Capital in Excess of Par Value	13,522	13,522
215	Retained Earnings	(292,521)	(321,877)
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ (128,553)	\$ (157,909)
	TOTAL LIABILITIES AND CAPITAL	\$ 545,253	\$ 516,917

COMPANY NAME
HIGH COUNTRY PINES WATER COMPANY

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 42,988	\$ 47,364
460	Unmetered Water Revenue		
474	Other Water Revenues	175	490
	TOTAL REVENUES	\$ 43,163	\$ 47,854
	OPERATING EXPENSES		
601	Salaries and Wages	\$ -	\$ -
610	Purchased Water		
615	Purchased Power	5,102	5,275
618	Chemicals	517	313
620	Repairs and Maintenance	47	1,815
621	Office Supplies and Expense		
630	Outside Services	30,478	29,307
635	Water Testing		
641	Rents	715	
650	Transportation Expenses		
657	Insurance - General Liability	666	790
659	Insurance - Health and Life		
666	Regulatory Commission Expense - Rate Case	870	1,172
675	Miscellaneous Expense	1,345	226
403	Depreciation Expense	31,254	31,333
408	Taxes Other Than Income		
408.11	Property Taxes	1,420	1,790
409	Income Tax	50	50
	TOTAL OPERATING EXPENSES	\$ 72,464	\$ 72,071
	OTHER INCOME/EXPENSE		
419	Interest and Dividend Income	\$ 391	\$ 871
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	6,043	6,010
	TOTAL OTHER INCOME/EXP	\$ (5,652)	\$ (5,139)
	NET INCOME/(LOSS)	\$ (34,953)	\$ (29,356)

COMPANY NAME HIGH COUNTRY PINES WATER COMPANY

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	1/1/1987	12/31/1997	12/31/1997	
Source of Loan				
ACC Decision No.				
Reason for Loan	PLANT IMP.	PLANT IMP.	PLANT IMP.	
Dollar Amount Issued	\$49,371	\$6,761	\$6,761	\$
Amount Outstanding	\$49,371	\$2,594	\$2,594	\$
Date of Maturity	DEMAND			
Interest Rate	10%	10%	10%	
Current Year Interest	\$5,435	\$287	\$287	\$
Current Year Principle	\$0	\$497	\$497	\$

Meter Deposit Balance at Test Year End	\$3,831
Meter Deposits Refunded During the Test Year	\$584

COMPANY NAME HIGH COUNTRY PINES WATER COMPANY

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number	Pump Horsepower	Pump Yield (Gpm)	Casing Size (inches)	Meter Size (inches)
1	30	104	8	N/A

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

TOTAL GALLONS PUMPED (NOT SOLD) THIS YEAR (thous.) = _____

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
10	2	51	

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
60,000	1	5,000	1
100,000	1		

STATISTICAL INFORMATION

Total number of customers 107

Total number of gallons sold 11,161,323 gallons

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported -3,183
Estimated or Actual Federal Tax Liability 0

State Taxable Income Reported -3,133
Estimated or Actual State Tax Liability 45

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances -
Amount of Gross-Up Tax Collected -
Total Grossed-Up Contributions/Advances -

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.


SIGNATURE

2/22/02
DATE

Gregory G. Horne
PRINTED NAME

President
TITLE

COMPANY NAME HIGH COUNTRY PINES WATER COMPANY YEAR ENDING 12/31/2001

<p style="text-align: center;">WATER AND SEWER UTILITIES ONLY</p>
--

PROPERTY TAXES

Indicate the amount of actual property taxes paid during this reporting period (Calendar Year 2001)

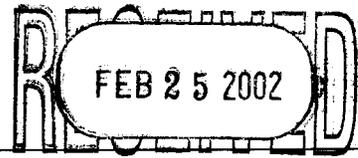
\$ 1,605

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled Checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain reasons below:

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

ARIZONA CORPORATION
COMMISSION



VERIFICATION

STATE OF _____

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	MARICOPA	Director of Utilities
NAME (OWNER OR OFFICIAL) TITLE		
COMPANY NAME	HIGH COUNTRY PINES WATER COMPANY	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2001

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2000 WAS:

Arizona IntraState Gross Operating Revenues Only (\$)
\$ 50,165 _____

(THE AMOUNT IN BOX ABOVE INCLUDES \$ 2,311 _____ IN SALES TAXES BILLED, OR COLLECTED

**REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

[Signature]

SIGNATURE OF OWNER OR OFFICIAL
602 264-2181

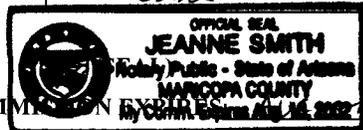
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS _____ DAY OF

COUNTY NAME	MARICOPA	
MONTH	FEBRUARY	2002



[Signature]

SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES _____, 2002

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

(COUNTY NAME)	MARICOPA	
NAME (OWNER OR OFFICIAL)	TITLE	
COMPANY NAME	HIGH COUNTRY PINES WATER COMPANY	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION
FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2001

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2000 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ 25,383

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 1,176
IN SALES TAXES BILLED, OR COLLECTED

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

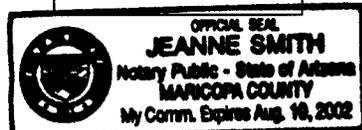
X 
SIGNATURE OF OWNER OR OFFICIAL

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 22ND DAY OF

(SEAL)



MY COMMISSION EXPIRES AUGUST 10, 2002

NOTARY PUBLIC NAME	JEANNE SMITH	
COUNTY NAME	MARICOPA	
MONTH	FEBRUARY	2002

X 
SIGNATURE OF NOTARY PUBLIC

Morgan Stanley

ACTIVE ASSETS ACCOUNT®
FOR MONTH ENDING OCTOBER 31, 2001

PAGE 4 OF 5

HIGH COUNTRY PINES WATER CO
1990 W. CAMELBACK RD SUITE 100

Account Number
288 024791 190

DEBITS TO YOUR ACCOUNT

Checking	Date Written	Date Paid	Check #	Payee	Amount	Expense Category
	09-25	10-22	0120	SUNDANCE MGMT	952.00	/
	09-20	10-01	0121	ARIZONA DEPARTMENT OF REVENUE	223.53	/
	09-25	10-03	0122	STROUD FAMILY TRUST	65.25	/
	10-22	10-26	0124	JAMES STEWART CO	1,333.33	
	10-22	10-29	0125	NAVOPACHE ELECTRIC COOP INC	573.54	
	10-22	10-29	0127	AZ. DEPARTMENT OF REVENUE	247.21	
	10-22	10-31	0128	NAVAJO COUNTY TREASURER	894.99	
				Total Checking	-4,289.85	Year-To-Date -16,712.56

Withdrawal	Date	Activity	Description	Amount	Additional Information
	10-19	Transfer	FUNDS TRANSFERRED	65.25	PER LETTER OF AUTHORIZATION TO 288-024296-0
				Total Withdrawals	-65.25 Year-To-Date -766.55
				Total Debits To Your Account	-4,355.10 Year-To-Date -18,037.02

ADDITIONAL ACCOUNT INFORMATION

Money Market	Date	Activity	Description	Amount	Additional Information
	10-01	Automatic Redemption	Closing Balance 9/30	\$8,442.48	
	10-02	Automatic Investment	ACTIVE ASSETS MONEY TRUST	-223.53	
	10-05	Automatic Redemption	ACTIVE ASSETS MONEY TRUST	309.16	
	10-09	Automatic Investment	ACTIVE ASSETS MONEY TRUST	-65.25	
	10-17	Automatic Investment	ACTIVE ASSETS MONEY TRUST	418.48	
	10-18	Automatic Investment	ACTIVE ASSETS MONEY TRUST	26.72	
	10-19	Automatic Redemption	ACTIVE ASSETS MONEY TRUST	554.28	
	10-22	Automatic Redemption	ACTIVE ASSETS MONEY TRUST	-65.25	
	10-26	Automatic Investment	ACTIVE ASSETS MONEY TRUST	-952.00	
	10-29	Automatic Redemption	ACTIVE ASSETS MONEY TRUST	208.39	
	10-30	Automatic Reinvestment	ACTIVE ASSETS MONEY TRUST	-820.75	
					Dividend Reinvested

Service mark of Morgan Stanley Dean Witter & Co. Securities services are offered through Morgan Stanley DW Inc., member SIPC.